

# **EXHIBIT 242**

RULES – RULES – RULES

The approaching end to the Clinton presidency is expected to bring a flurry of last-minute regulations that “could dramatically reshape parts of the business industry and workplace world for generations to come” (Greenwire, Nov. 28).

Among the major regulatory initiatives expected to be finalized before January 20, including up to 60 U.S. EPA rules: New restrictions on poultry, livestock and dairy CAFOs, reduction in diesel fuel sulfur levels; a plan to protect nearly 60 million acres of roadless forest land; a ban on phosphate pesticides; and restrictions on mercury emissions from power plants (Kevin McCoy, USA Today, Nov. 27). President Clinton may also give national monument status to the Arctic National Wildlife Refuge in Alaska.

The new rules could fill 29,000 pages of the Federal Register, exceeding President Carter’s 23,000 pages. And congressional Republicans are largely powerless to stop the rules, which would have the force of law. A Bush administration could work to reverse or modify the rules, but the new rule-making process could take years. Republicans could try to overturn the new rules, but with a “paper-thin” House majority and a 50-50 split in the Senate, they would have a difficult road.

EGGS USED FOR BREAKING CONTINUES GROWTH PATTERN

The egg breaking industry will realize a 4% growth in 2000 over the previous year when comparing the number of cases of eggs broken. Shown below are statistics from USDA through the week ending December 2<sup>nd</sup>.

	2000	1999
Cases Broken	56,073,958	53,902,477
Pounds Liquid Whole	1,277,121	1,240,042
Pounds Liquid White	559,162	515,433
Pounds Liquid Yolk	300,859	283,321
Pounds Dried	132,749	123,434
Pounds Inedible	187,590	171,476

NATIONWIDE EGG MARKET OUTLOOK

December 12, 2000	NE	Change	MW	Change	SE	Change	SC	Change
Class 1	65	+3	63	+6	68	+4	69	+9
Class 2	58	+2	54	+4	64	+5	60	+5
Class 3	54	+6	50	+3	54	+3	53	+4
Class 4	30	NC	30	NC	30	NC	30	NC
Breaking Stock	38	-1	41	-1	38	NC	41	NC



United Voices

United Egg Producers  
Gene Gregory - Editor

December 18, 2000

UEP HELPS TURN INDUSTRY AROUND

As we began 2000 the industry faced mounting pressure from government, special interest groups and an over-supply problem that was sure to create financial disaster. Through a united effort by UEP's members, committee members and staff we were able to address each issue and find solutions that have certainly given us a much more positive outlook on the industry's future. Space doesn't allow us to provide full details of all the issues but let us identify the highlights of just a few examples of these positive changes.

- The President's Egg Safety Action Plan proposed to implement four (4) environment tests of each layer house with egg diversion required following any positive test. Working through the legislative process and with FDA's UEP was able to reach a compromise that we believe will be much more acceptable. Based upon FDA's "Current Thinking Paper" we now believe the Plan will require only one (1) test per lay cycle with eggs only being diverted following a positive egg test. **These changes will result in tremendous dollar savings to every egg producer.**
- FDA proposed a harsh warning label for all egg cartons that included the statement: "Eggs may contain harmful bacteria known to cause serious illness, especially in children, the elderly, and persons with weakened immune systems." Thanks to comments provided by UEP and others, FDA has now published a final rule that removes the harsh warnings and is replaced with "Safe Handling Instructions" that are far more acceptable to the industry. **These changes help assure a continued growth of per capita egg consumption.**
- Faced with the realization that EPA would issue rules, which identified egg production and pullet growing facilities as a CAFO and thereby requiring every producer to acquire the costly NPDES permits, UEP worked with EPA to create the XL General Permit program exclusively for the egg industry. Producers, working with their state agencies, will have the option of implementing the XL program. **The industry should benefit from less bureaucratic red tape and cost reduction.**
- As animal rights groups increased their pressure upon government agencies and the market place for the elimination of cage production and induced molting, UEP's Scientific and Producer Committees for Animal Welfare worked overtime to complete industry guidelines, which were based upon science instead of emotions or personal opinions. **These guidelines provide the industry with an orderly transition and hopefully a means by which the increased cost can be recovered.**
- Financial disaster was predicted for 2000 as we forecast egg prices to be below the cost of production for all 12 months. On average the industry was expected

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to lose approximately eight (8) cents per dozen during the year. UEP's Marketing Committee recommended an action plan to turn this around. Egg producers responded by making adjustments. By August these changes began to pay off with prices moving up to levels above the cost of production for most producers for the balance of the year. **The industry benefited with revenues of approximately \$400 million over the forecast for the year.**

- Price discovery had not been fairly addressed for a number of years. UEP's Price Discovery Committee took a mathematical approach to clearly identify the increased cost of converting an egg from the nest run or graded loose category to the value of a cartoned egg delivered to the market place. Working with the Market Reporter, compromises have been reached that are just now beginning to more accurately reflect the true value of cartoned eggs. **The benefit of this effort will provide tremendous financial rewards to the industry for several years.**
- With the retirement of Jerry Faulkner, United States Egg Marketers (USEM) faced a very real prospect of closing the organization and thereby losing the opportunity for the industry to cooperatively export large volumes of eggs within short time periods. UEP's Board of Directors reached an agreement with USEM to assume the management of the organization. With the management change USEM has seen its membership grow to 100 million layers. **While not all UEP members have signed on with USEM, all members will reap the benefits of future export opportunities as we maintain the legal structure by which we can cooperatively work together.**

These positive results came about through a great deal of hard work from all UEP committees. Those members are to be thanked for working with the staff to bring about changes that provide benefits for all. Through numerous conference calls and face-to-face meetings these people worked hard in addressing each issue. These efforts did not go unnoticed by prospective members as several became new members during the year resulting in a membership growth of 11 million layers. **It can be accurately stated that the members were repaid for their membership dues many times over during the past year.**

We also want to thank the members of the UEA Producer Packer Division, UEA Further Processors, and UEA Allied Division for their support during the year. Their help, especially during the May Legislative Meeting in calling on members of Congress gave us a larger more unified front to address regulator issues.

We also want to thank American Egg Board (AEB) because with funding provided by them we were able to provide greater member support for programs of food safety, animal welfare, and environment.

## 2001 COMMITTEE APPOINTMENTS

By letter, UEP Chairman Carl Lofgren extended his thanks to all those having served on UEP committees during this year. Lofgren said "We want to compliment each Chairman and Committee member for the outstanding work you accomplished this year. 2000 has been a challenging year in which more issues than ever before were addressed. You are to be commended for a job well done."

In making appointments for the coming year, Lofgren said, "The year 2001 will continue to test our industry on many fronts and therefore we appreciate those of you that have expressed an interest in serving on various UEP Committees."

In total, Lofgren appointed 74 members to serve on various committees. Appointed to serve as Chairman of each committee are the following members:

Executive .....	Carl Lofgren
Finance .....	Michael Mills
Government Relations .....	Barrie Wilcox
Price Discovery .....	Dolph Baker
Marketing .....	Dolph Baker
Membership .....	Tom Hertzfeld Jr.
EggPAC .....	Ed Houston
Dues .....	Carl Lofgren
Environmental .....	Dave Staples
Food Safety .....	Ken Looper
Animal Welfare .....	Bob Krouse

## BENEFITS OF AN EXPORT

United States Egg Marketers (USEM) accepted an export order of 34 containers (approximately 27,000 cases) on November 21<sup>st</sup> for delivery to be completed by December 5<sup>th</sup>. At the time, many producers were speculating that the market would fall off a strong Thanksgiving market and drop 5-10 cents per dozen before Christmas buying began.

For comparisons, it should be noted that the market of 1999 fell from a high at Thanksgiving of 73 cents for large in the Midwest to a low of 54 cents before the market recovered for Christmas. The net effect a drop of 19 cents for an average price of 60.3 cents per dozen.

This year the Midwest large market at Thanksgiving was 85 cents. Throughout the period of taking and filling the export order, the Midwest large quote remained virtually the same with the quote reaching 92 cents on December 8. The net result being that the market did not drop the expected 5-10 cents or the 19 cents from the previous year's history.

**What was the benefit? In comparing to the same period of 1999, we can point to an industry-wide revenue gain of approximately \$30 million dollars during this export period. One, however, could challenge the full benefit by recognizing the improving supply demand balance and improvements in price discovery.**

Filling this export did not come without its problems of trucking, port availability and the ability to find the needed eggs. UEP egg traders found themselves having to pay the equivalent of flat rate prices in the range of 59 to 79 cents for nest run eggs to get the order filled within such a short period.

## USEM ELECTS OFFICERS AND COMMITTEE

United States Egg Marketers (USEM) has elected from its membership 12 members to serve as an Executive/Export Committee. Those who were elected are:

Larry Seger (Chairman)	Butch DeVries (Vice Chairman)
Roger Definer (Secretary)	Jim Brock (Treasurer)
Paul Bahan	Dolph Baker
James Biggers	Gregg Clanton
Jim Dean	Joe Fortin
Wayne Mooney	Dave Staples

The organization welcomed two new members this past week. Thanks for the support of:

Tim VandeBunte - Konos, Inc. - Martin, Michigan  
Loren Bosma - We3Eggs LLC - Sibley, Iowa

## UEP AND UEA TO HOLD MEETINGS AT INT'L POULTRY EXPOSITION

UEP will hold its annual "Membership Breakfast Briefing" on January 17<sup>th</sup> in the Crystal Ball Room at the Atlanta Hilton & Towers Hotel. Starting at 7:00 AM and ending by 8:30 AM, the staff will attempt to hit all the highlights of issues of 2000 and strategies for 2001. Please confirm your attendance by calling or faxing the UEP office so that we know how many to include for breakfast.

UEA Further Processors will conduct their annual meeting from 7:00-9:00 AM the morning of Thursday, January 18<sup>th</sup> in the Crystal Ballroom at the Atlanta Hilton & Towers Hotel. The meeting is closed to only UEA Further Processors members who have paid their 2001 membership dues and selected invited guests.

## EU TO BECOME LESS COMPETITIVE

Speaking at the recently held International Egg Commission meeting, Peter van Horne of the Agricultural Economics Research Institute in the Netherlands said that the EU will be less competitive with new regulations. Egg production costs in the European Union were already higher than in the USA, primarily because of lower feed costs and lower housing costs reflecting larger-scale production units in America. However, as the result of the implementation of the EU animal welfare directive for layers, EU producers would be further disadvantaged by another 10-15% according to Mr. van Horne. Looking at alternative systems to conventional cages (other than enriched cages) he showed that the increased costs for aviary, deep litter and free-range systems were 17%, 32%, and 38% respectively.